MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2015/2016

BME1024 – INTRODUCTORY MACROECONOMICS

(All sections / Groups)

1 JUNE 2016
2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of four pages with five questions only.

2. Attempt **FOUR** out of FIVE questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

a) Differentiate between intermediate goods and final goods. Give one example for each type of good. (6 marks)

b) Explain why intermediate goods are not included in the measurement of gross domestic product (GDP)? (7 marks)

c) Refer to the following table:

Component	RM (million) 2013	RM (million) 2014
Investment	30	25
Export	26	20
Consumption	50	50
Import	40	40
Government purchases	34	60

(i) Find the GDP for 2013 and 2014.

(ii) Find the economic growth rate for 2014. Comment on the state of the economy. (12 marks)

(Total: 25 marks)

QUESTION 2

a) Define fiscal policy. Differentiate between expansionary fiscal policy and contractionary fiscal policy. (10 marks)

b) Assume an economy has 0.1% of real growth rate, inflation rate of 3% and unemployment rate of 20%. As an expert in fiscal policy, what advice would you give to the government in order to improve the economy? State the policy and explain your answer. (15 marks)

(Total: 25 marks)

Continued...

QUESTION 3

a) From the following table, find

Population	10,000
Labour force	4,400
Employed	4,000

(i) The number of unemployed;
(ii) Unemployment rate (5 marks)

b) Which of the following is **not included** in the labour force? Explain your answer.

(i) Andrew, a 60 years old engineer is still working in a local company.

(ii) Albert, a diploma holder, has been looking for job for the past 2 months.

(iii) Keren stays at home to look after her baby. (5 marks)

Continued.....

c) Refer to the following table:

Year	CPI
2011	107
2012	105
2013	115
2014	116

(i) Find the inflation rate for year 2013

(ii) "Compare with 2013, the inflation rate in 2014 has gone up." Do you agree with this statement? Explain your answer. (9 marks)

d) Discuss the effect of inflation on

(i) A factory worker;

(ii) A businessman. (6 marks)

(Total: 25 marks)

QUESTION 4

a) What function does money play in the following examples:

(i) I used $400 to buy a new text book.

(ii) I saved $400 in my savings account.

(iii) The price of the second hand rice cooker is $400. (6 marks)

b) Define monetary policy. (4 marks)

Continued.....

c) Explain how monetary policy should be used by an economy that faces high inflation rate? How can the inflation rate be lower by the use of

(i) Open market operation;

(ii) Reserve requirements

(15 marks)
(Total: 25 marks)

QUESTION 5

a) Differentiate between appreciation and depreciation of a country's currency. (4 marks)

b) Discuss any 3 factors that can affect the exchange rate of *Ringgit* Malaysia (*RM*).
(15 marks)

c) Refer to the following table, comment on the value of *RM* during the period August to October 2015. (6 marks)

Date	Exchange rate of the US$ to *RM*
1st Aug 2015	*RM* 3.8
1st Sept 2015	*RM* 4.1
1st Oct 2015	*RM* 4.4

(Total: 25 marks)

End of Paper